

Mtg	Date	Item #
ETF	9/25/2003	1

**MINUTES OF MEETING**  
**STATE OF WISCONSIN**  
**EMPLOYEE TRUST FUNDS BOARD**

**Friday, June 20, 2003**

**Sheraton Madison Hotel**  
**706 John Nolen Drive**  
**Madison, Wisconsin**

**BOARD PRESENT:**

Marilyn Wigdahl, Chair  
Wayne Koessl, Vice-Chair  
Robert Niendorf, Secretary  
John Brown  
Theron Fisher  
Kathleen Kreul  
Wayne McCaffery  
Irena Macek  
Cynthia Van Bogaert  
Nancy Thompson  
Karen Timberlake

**BOARD NOT PRESENT:**

John Noel

**PARTICIPATING ETF STAFF:**

Eric Stanchfield, Secretary  
Dave Mills, Deputy Secretary  
Julie Reneau, Administrator, Division of Retirement Services  
Rhonda Dunn, Administrator, Division of Management Services  
Pam Henning, Director, Office of Strategic Services  
Tom Korpady, Administrator, Division of Insurance Services  
Christina Licari, Board Liaison  
Linda Owen, Division of Retirement Services  
Shelly Schueller, Office of the Secretary  
Rob Weber, Chief Legal Counsel

**OTHERS PRESENT:**

Bill Ford, Legislative Council  
Brian Fusie, Department of Employment Relations  
Charlotte Gibson, Department of Justice  
Jane Hamblen, Department of Justice  
Norm Jones, Gabriel, Roeder, Smith & Company  
Audrey Koehn, Department of Employee Trust Funds  
Brian Murphy, Gabriel, Roeder, Smith & Company  
Peg Narloch, Department of Employee Trust Funds  
Mary Pierick, Department of Employee Trust Funds  
Matt Pommer, The Capital Times

Marilyn Wigdahl, Chair, called the meeting to order at 8:35 a.m.

## CONSIDERATION OF PREVIOUS MEETING MINUTES

***Motion: Mr. Koessl moved approval of the minutes of the March 14, 2003 (with correction to time of adjournment) and December 13, 2002, (open session) meetings as submitted by staff. Mr. McCaffery seconded the motion, which passed without objection on a voice vote.***

## ANNOUNCEMENTS

Ms. Reneau introduced new Board members Kathleen Kreul and Theron Fisher. Ms. Reneau also noted that John Noel has recently been appointed to the Board but was unable to attend this meeting.

## ADMINISTRATIVE RULE

**Scope Statement: Dividend Distribution.** Ms. Owen presented draft language for the proposed rule amendment regarding annuitant dividends. In 2002, the rule was amended to change the annuitant dividend distribution date from April 1 to March 1. The amended rule became effective on October 1, 2002. However, due to poor fixed and variable investment returns and the concern annuitants expressed regarding the earlier distribution date, an emergency rule was promulgated to move the dividend distribution date back to April 1. Based on careful consideration of the alternatives and their potential consequences, the Department of Employee Trust Funds (DETF) proposed amending the permanent administrative rule to change the annual distribution effective date back to April 1.

Department staff stressed that if no further action is taken on the permanent rule, in 2004 the dividends, whether positive or negative, will become effective on March 1. Ms. Reneau noted that the Teachers Retirement (TR) Board had failed to adopt the proposed rule language recommended by staff, on a five to four vote, and that the Wisconsin Retirement (WR) Board had voted unanimously to adopt the proposed rule language.

The Board discussed with staff the advantages and disadvantages of changing the permanent rule back to April 1. Members expressed concerns regarding which approach constituted the best public policy. Members also expressed concern regarding whether their votes on the issue should reflect the results of the voting during the TR and WR Board meetings or if their votes should reflect their individual decisions. Secretary Stanchfield clarified that the duty of the members of the Employee Trust Funds (ETF) Board was to serve, individually, as fiduciaries to the trust and to act in the best interests of all members, not favoring the interests of any one group.

***Motion: Mr. Koessl moved to adopt the proposed rule language as recommended by DETF staff. Ms. Macek seconded the motion, which passed without objection on a voice vote.***

***Ms. Van Bogaert recused herself from this discussion and vote, as the discussion pertained to rule-making.***

Following the Board's discussion, Mr. Mills discussed briefly what approach the Department will take since all three Boards did not take the same action. Mr. Mills pointed out that since no public hearing has yet been held, the final proposed language must come back to the boards. In the interim, staff would consult with chairs of the individual boards about how to proceed.

## **DISABILITY STATISTICS SUMMARY REPORT**

(Included for the Board's information.) Ms. Schueller reviewed the *WRS Disability Benefit Annuity Statistical Report* that was included in the Board packet. In addition to Ms. Schueller, Peg Narloch, Disability Program Policy Advisor, was available to answer questions.

## **WISCONSIN RETIREMENT SYSTEM 22<sup>nd</sup> ANNUAL ACTUARIAL VALUATIONS OF ACTIVE LIVES – DECEMBER 31, 2002**

Norm Jones and Brian Murphy from the Department's actuarial firm, Gabriel, Roeder, Smith & Company (GRS), reviewed highlights of the annual valuations and responded to questions. The valuation was based upon all current plan provisions related to non-retired participants. Based upon the results of the December 31, 2002, regular annual actuarial valuation, Mr. Jones indicated that the WRS continues to be in strong financial condition.

***Motion: Ms. Thompson moved to adopt the rates as proposed by the actuary in the "Wisconsin Retirement System 22<sup>nd</sup> Annual Actuarial Valuations of Active Lives – December 31, 2002." Mr. Brown seconded the motion, which passed without objection on a voice vote.***

## **ACCUMULATED SICK LEAVE CONVERSION CREDIT (ASLCC) PROGRAMS ANNUAL ACTUARIAL REVIEW – DECEMBER 31, 2002**

Norm Jones and Brian Murphy from the Department's actuarial firm, GRS, presented the *Accumulated Sick Leave Conversion Credit Programs Annual Actuarial Valuations as of December 31, 2002*. The financial objectives of the Board in funding the ASLCC program is to establish and receive contributions that will remain approximately level from year to year and to retire the existing unfunded liability over a recommended period of time. The recommended 2004 contribution rate is 3% of covered payroll.

***Motion: Mr. McCaffery moved to accept the actuary's report and adopt the 2004 contribution rate as recommended. Ms. Thompson seconded the motion, which passed without objection on a voice vote.***

## **SECTION 40.65 DUTY DISABILITY PROGRAM ACTUARIAL REVIEW**

Tom Korpady, Administrator, Division of Insurance Services, discussed the *Section 40.65 Duty Disability Program Actuarial Review as of December 31, 2002*, as prepared by James Searcy or Deloitte & Touche LLP. The results of this review indicated that the Duty Disability program has assets of \$136.6 million and estimated liabilities of \$320.8 million as of December 31, 2002. The accrued funding shortfall is \$184.2 million, which represents about 19% of the \$957.6 million in covered payroll. This is a reduction of 4% since the December 31, 2001, review.

Mr. Korpady noted that the current premium rate, approved in 1998, continues to meet the Board's funding policy and the funding level continues to meet liabilities. Therefore, no premium increase is recommended at this time.

***Motion: Mr. McCaffery moved to accept the actuary's report. Ms. Thompson seconded the motion, which passed without objection on a voice vote.***

## **EMPLOYEE REIMBURSEMENT ACCOUNT AND COMMUTER BENEFIT PROGRAMS CONTRACT**

Mr. Korpady discussed the current Employee Reimbursement Account (ERA) and Commuter Benefit Program contract with Fringe Benefits Management Company (FBMC), which ends December 31, 2003. Mr. Korpady noted that the Department has had an excellent experience with FBMC since the inception of the ERA program in 1989. He cited the willingness of the vendor to adapt to meet the needs of the Wisconsin programs and to consistently meet or exceed performance standards and guarantees. Mr. Korpady asked for the Board's authorization of a two-year extension of the current contract. The extension of the contract would include no administrative cost increase.

***Motion: Mr. Niendorf moved approval of a two-year extension of the contract with FBMC. Ms. Kreul seconded the motion, which passed without objection on a voice vote.***

## **MISCELLANEOUS**

### **Certificate of Achievement in Public Plan Policy (CAPPP) Program Acknowledgement.**

Mr. Mills acknowledged both Shelly Schueller and Linda Owen for each completing the CAPPP program. Mr. Mills noted that the Department not only commends Ms. Schueller and Ms. Owen on their accomplishments, but also recommends the CAPPP program as a valuable certification for interested Board members as well. Secretary Stanchfield noted that he is currently involved in the development of a new, advanced level curriculum to be offered as a follow-up to this program in the future.

**Steve Frankel Resolution.** Ms. Reneau noted that an ETF resolution had been prepared honoring former member Steve Frankel, thanking him for his outstanding service. Ms. Reneau read aloud the resolution.

***Motion: Mr. Brown moved that an official resolution be issued honoring former Board member Steve Frankel for his outstanding service and guidance. Mr. Niendorf seconded the motion, which passed without objection on a voice vote.***

Board members, staff and meeting attendees gave a standing ovation in honor of Mr. Frankel.

**Pending Appeals Status Report.** (Included for the Board's information.) Ms. Reneau presented an update on pending appeals, noting that the ETF Board currently has 71 pending appeals.

**Audit Reports.** (Provided for the Board's information.) Ms. Reneau reviewed the audit reports *WRS Member Account Analysis Validation of Service and Money Purchase Data – 1999-2000* and *Audit of Verification of Inactive Account Data by Using Social Security Administration Enumeration Verification System*. Internal Audit staff were available to answer questions.

*The Board took a break at 9:50 a.m.*

## **MOTION TO CONVENE IN CLOSED SESSION**

Ms. Wigdahl announced that the Employee Trust Funds Board would convene in closed session, pursuant to the exemptions contained in Wis. Stat. § 19.85(a), (c), (f) and (g) for quasi-judicial deliberations, to discuss personnel matters, to consider applications containing personal medical information and to confer with legal counsel. ETF staff were invited to remain during consultation

with legal counsel. Secretary Stanchfield and Ms. Dunn were invited to remain during discussion of personnel matters. Ms. Licari and Mr. Fusie were invited to remain during all parts of the closed session with the exception of discussion of personnel matters.

***Motion: Mr. Koessler moved to convene in closed session, pursuant to the exemptions contained in Wis. Stat. § 19.85(a), (c) (f) and (g) for quasi-judicial deliberations, to discuss personnel matters, to consider annuity applications containing personal medical information and to confer with legal counsel. Ms. Thompson seconded the motion, which passed on a roll call vote.***

***Members voting aye: J. Brown, T. Fisher, W. Koessler, K. Kreul, I. Macek, W. McCaffery, B. Niendorf, N. Thompson, K. Timberlake, C. Van Bogaert, M. Wigdahl***

***Members voting nay: none***

The Employee Trust Funds Board convened in closed session at 10:12 a.m. and reconvened in open session at 12:00 p.m.

## **ANNOUNCEMENT OF ACTION TAKEN ON BUSINESS DELIBERATED DURING CLOSED SESSION**

Ms. Wigdahl announced that the Board took the following action during the closed session:

- The Board discussed the equity decisions (2003-02, 2003-03) recently made by Secretary Stanchfield.
- The Board adopted counsel's recommendation to file an appeal in circuit court regarding the court's recent decision regarding case #02-CV-021 (formerly appeals 95-036-ETF and 95-034-ETF.)
- **Appeal 99-037-ETF.** The Board adopted the hearing examiner's proposed decision pertaining to period two only and rejected the hearing examiner's proposed decision pertaining to period one.
- **Appeal 99-038-ETF.** The Board adopted the hearing examiner's proposed decision with clarifications as discussed with counsel.
- **Appeal 2000-051-ETF.** The Board adopted the hearing examiner's proposed decision with substantive changes as recommended by counsel.
- **Appeal 2000-050-ETF.** The Board adopted the hearing examiner's proposed decision with changes as discussed with counsel.

## **ADJOURNMENT**

***Motion: Ms. Van Bogaert moved adjournment. Ms. Thompson seconded the motion, which passed without objection on a voice vote.***

The meeting of the Employee Trust Funds Board adjourned at 12:05 a.m.

Date Approved: \_\_\_\_\_

Signed: \_\_\_\_\_

Robert Niendorf, Secretary  
Employee Trust Funds Board